

## MEMORANDUM OF UNDERSTANDING

SUBJECT: ORD Focus and Budget Plan

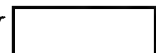
1. In the Executive Director-Comptroller's Program Review meeting with the Acting Deputy Director for Science and Technology on 22 June 1972, it was agreed that ORD should concentrate on advanced technology bearing on intelligence problems without necessarily relating to short-term operational requirements. While ORD would consider research and development needs of other CIA components and other agencies where pertinent, ORD would normally not pursue development beyond engineering feasibility testing nor would it be primarily concerned with short-range engineering work to meet specific operational requirements.

2. It was also agreed that ORD should have an annual budget based on a fixed percentage of the total Agency R&D budget. It was agreed that this method of budgeting for advanced R&D is as valid and defensible as any other known method. It was recognized that a proposed ORD resource level for a given year would no longer be tied to a specific list of projects, and that this procedure would make the annual level of ORD resources subject to the more directly mission-oriented remainder of the Agency's R&D budget without annual disputes over allocations. It was also recognized that the "fixed" percentage would have to be adjustable until experience had clearly indicated what the appropriate percentage should be.

3. ORD's overall program, as well as individual areas of activity, will be exposed to other CIA elements engaged in R&D activities through the Agency's R&D Board and its Technical Coordinating

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Committee as appropriate. It is expected that the program be responsive to the needs of other components for exploratory developmental work and that it take appropriate account of R&D work being done elsewhere. While performance in exploratory research cannot be measured quantitatively in the short term, ORD will provide to senior management an annual review of expenditures and evaluation of activities against long term Agency R&D objectives.

4. Subsequent to the meeting, O/PPB proposed that ORD be given 30 percent of the total Agency R&D budget for FY 1973 and FY 1974, excluding year-end funding, other Agency funding, reserve releases, and transfers from operating components within the Agency. The 30 percent formula was based on the average percentage of ORD's budget (contract dollars) in FY 1971 and FY 1972 along with the subjective assessment that this seemed a reasonable percentage. DDS&T did not demur. This arrangement should be re-examined in light of experience next Spring during the review of the FY 1974 Operating Program and FY 1975 Budget Estimate. It is presumed that the ORD budget will be fixed at certain appropriate points in time but will not be subject to change every time mission-oriented RD&E programs are reprogrammed.

5. It is assumed that in arriving at annual R&D budgets, an increase for inflation will be included wherever appropriate.


CONCURRENCE:

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Director of Planning, Programming,  
and Budgeting

10/19/72  
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Date

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Assistant Deputy Director for Science  
and Technology

24 Oct 72  
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Date

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Executive Director-Comptroller

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Date